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WHAT THE INDUSTRY READS FIRST

Time Tells: Stankey Details Inflationary Fears, Cost-Cutting Efforts

AT&T CEO John Stankey has been vocal about inflationary pressures on U.S. businesses, and those concerns are informing the decisions his leadership team is making now to insure the company for what's ahead. The state of the economy isn't positive for the country or the company, but he is optimistic that legislators and leaders across the nation are acknowledging now that the causes of the inflation are broad and deep.

"It appears that the right policy approach is being taken right now to deal with that, but we're not done. It looks like maybe we've seen a peak level right now getting helped by certain smaller areas of the economy that are seeing a tempering effect on it. But how we work out the balance of the inflationary impacts in the coming quarters given how broad in scale they are remains to be seen," he said during an appearance at the Goldman Sachs Communacopia Conference Monday.

Stankey has been leading AT&T down a path toward cost savings since he first took the reins of the organization, and he's doubling down on those defensive efforts. The company is in the middle of a \$6 billion cost reduction program with a lot of those savings slated to be reinvested into growth initiatives, including AT&T Fiber.

"We have a legacy cost structure on parts of our business that performed very well for many years that now has seen its best days and ultimately needs to be terminated and shut down," he said. "Specifically, as we look at embedded copper

infrastructure that is spread broadly geographically around our operating territory, we're seeing density levels get to a point where either we can replace with fiber... or replace it with a robust wireless network that has broader coverage than anybody else in the industry today."

Those efforts are still underway despite external pressures, and the good news for AT&T on the subscriber front is that customers haven't stopped taking on AT&T's products and services, even those that are on the lower end of the socioeconomic spectrum. The worst that's come thus far is some extension on payment cycles.

A secondary, but major, part of those cost reductions have been in promotional advertising. Stankey claimed AT&T is seeing "probably the best yields" ever in its promotional advertising right now, but it isn't spending nearly to its historical levels nor the most among its peers in the industry. That's in part because the company has found more success by cross-promoting its products to new customers or existing subscribers that are calling service representatives to inquire about different plans.

"When we're growing 300,000-plus fiber customers a month, it gives us a very unique opportunity to talk to customers about other products and services. That's not promotion," Stankey said. "That's about a customer interaction and being able to sell a bundle of services to them, to that particular customer, that makes sense for them."

An opportunity for those conversations also came earlier this

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year when AT&T instituted a number of price increases across its plans to add more cushion to its bottom line in the face of those macroeconomic trends. Stankey said the company was largely successful about communicating with customers about how to make it a win-win situation for both sides of the equation, but the final results on that move will come in the latter part of this year.

“We’ve run it through the base and we’ve got a couple of months now worth of data. It has played out exactly as we expected it to play out. It will be an accretive move for the business,” he said. “We’ve had a lot of customer contact from it, which we expected, and that customer contact has resulted in customers making decisions to find plans that are best tailored to their current needs. I view that as a good long-term investment.”

Stankey was tightlipped when it came to AT&T’s ultimate views on whether or not it will need to change pricing again in the near future, chalking a lot of that up to the uncertainty around how long it will take for the economy to return to a more healthy state. The provider is in the middle of three-year planning, and it is leaving a lot of room open for leadership to choose different strategic options based on different assumptions for the business and the nation.

“Part of that is to build the optionality of where we go on some of the pricing changes we may need to make if, in fact, costs remain elevated for an extended period of time,” Stankey said. “We have other tactics we would use. We like to be careful how frequently we’re hitting the base with those things... but we will trigger those at some point during the business cycle next year if we see inflation stay at its current levels.”

SPACEX APPEALS RDOF DENIAL

SpaceX isn’t giving up its Rural Digital Opportunity Fund winnings without a fight. It submitted an application for review to the **FCC** Friday requesting a reversal of the Wireline Competition Bureau’s decision to deny SpaceX’s long-form application to receive support for the \$885 million in winning bids **Starlink** won in the Phase I auction. SpaceX even accused the Commission’s decision of being informed by a clear bias toward fiber. “This decision is so broken that it is hard not to see it as an improper attempt to undo the Commission’s earlier decision, made under the previous Administration, to permit satellite broadband service providers to participate in the RDOF program,” Starlink said in the application. The document lays out a number of errors SpaceX claims the FCC made in its process for excluding Starlink from the RDOF winner’s circle, including misusing data from outside the record that measured Starlink’s current speeds, ignoring evidence of the provider’s ability to quickly expand and upgrade its network and not taking into account the benefits of the product’s straightforward pricing model. “Indeed, these are standards that no bidder could meet today,” the application argued. “Far more troubling, as no RDOF applicant offering fiber even bid in the majority of the territories SpaceX committed to serve through RDOF, the Bureau’s decision leaves the Commission with no plan to connect many unconnected Americans, undermining the very purpose of this program.”

ACP PARTICIPANTS USING MORE BROADBAND

Those participating in the **FCC**’s Affordable Connectivity Program are using an average of 654 GB of data per month, 33.3% higher than the 490.7 GB mark for all internet subscribers. The Q22

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OpenVault Broadband Insights report revealed 20.8% of ACP participants use more than 1 TB of data per month, whereas 13.66% of overall subscribers exceed that threshold. Approximately 14.2% of all customers are subscribed to a tier of 1 Gbps+, up 35% YOY. Three out of four subscribers have speeds of 200 Mbps or higher, with 55.4% having speeds between 200-400 Mbps.

ROKU UPDATES OS FOR CONTENT DISCOVERY

Roku introduced a number of updates to its OS Monday focused on improving content discovery across the platform. Roku OS 11.5 introduces a feature called The Buzz to the front page with a collection of posts and trailers from viewers' favorite streaming channels and the ability to save movies and shows from across channels onto one platform-wide Save List. Categories have been introduced into Roku's Live TV Channel Guide as well to ease navigational challenges.

NETFLIX HITS PLAY WITH UBISOFT

Netflix is investing further into its gaming endeavors, announcing a partnership with games developer **Ubisoft** for the creation of three mobile games based on a selection of the company's franchises: "Valiant Hearts," "Assassin's Creed" and "The Mighty Quest for Epic Loot." The releases will begin in 2023 and will be available exclusively on mobile to Netflix members globally with no ads or in-app purchases.

DISH TEAMS UP FOR NEW AD SOLUTION

DISH Media is rolling out an ad solution that lets advertisers access linear TV inventory through a programmatic buying model. The National Linear Programmatic, powered by the sell-side ad server for convergent TV **Beachfront** and video delivery and ad insertion platform provider **SeaChange International**, will be used across DISH TV households nationwide. The solution can display linear inventory in real-time, automate the buy process for linear partners and let the demand side plan linear ad buys alongside OTT buys.

AT THE COMMISSION

The **FCC's** Inspector General released another advisory last week warning the industry of waste, fraud and abuse in the Affordable Connectivity Program. The instances are largely tied to multiple households using the same benefit-qualifying individual to sign up to receive an ACP subsidy. In the most outrageous example found by the Inspector General's office, more than one thousand individuals in Oklahoma used the information of a four-year-old to receive subsidized service. "Whatever we are doing to deter this type of fraud is not working," Commissioner *Brendan Carr* said in a statement. "More action is needed to safeguard these federal dollars and ensure that they deliver on the goals Congress has set out." USAC has instituted a process for holding payments to limit the amount of potentially improper payments dispersed, and it is also identifying and de-enrolling households that enrolled in the Affordable Connectivity Program using the same benefit-qualifying individual as another household that was already enrolled. – FCC Chair *Jessica Rosenworcel* signed an updated Memorandum of Understanding with the

Body of European Regulators for Electronic Communications. The new deal expands their existing partnership to include a focus on combating unwanted robocalls and the promotion of 5G and 6G.

LOUISVILLE LEAPS INTO NEXTGEN

A group of local stations in Louisville, Kentucky, have begun broadcasting with **NextGen TV. Block Communications'** WDRB (**FOX**), **Gray's WAVE (NBC)**, **Tegna's WHAS (ABC)** and **World Broadcast Network's** independent station WBNA are now using the technology that features consistent volume across channels, enhanced voice and video quality and more. Kentucky Education Television's station WKMJ will launch NextGen TV starting next Monday. NextGen TV is set to reach 60% of U.S. households by the end of 2022.

RATINGS

The first edition of **NBC's** "Sunday Night Football" garnered a total audience delivery average of 25.1 million viewers across **NBC, Peacock, NBC Sports Digital** and **NFL Digital**, according to preliminary Nielsen data. That's good for the largest audience NBC has seen in the Sunday night opener since 2015 and is up 35% compared to last year's opener. The top markets for the Bucs-Cowboys contest were Dallas, Tampa Bay, San Antonio, Austin and Kansas City.

PAC-12 ENTERS NFT SPACE

The Pac-12 conference entered a multiyear partnership with NFT creator **Fanaply** to create conference-related NFTs throughout the football season. The first available NFT will be free for all fans before limited-time NFTs that come with rewards and VIP experiences release throughout the season.

PROGRAMMING

A new "The Boulet Brothers' Dragula" spinoff is coming to **Shudder** and **AMC+**. "The Boulet Brothers' Dragula: Titans" will premiere with two episodes Oct. 12 on the two platforms. The pilot season will have 10 episodes and feature popular participants from the original show's previous seasons competing for a \$100,000 grand prize. – **Showtime** will release a five-part docuseries on the members of the Lincoln Project during the 2020 election and its aftermath. "The Lincoln Project" will debut Oct. 7 at 8pm, and all five episodes will be available on-demand and on streaming platforms the same day. – The **HBO Max** comedy "Rap Sh!t" was renewed for a second season. All episodes from Season 1 are currently available on the streamer. – *Fat Joe* will be hosting a new Starz series featuring celebrities and other guests in a documentary-style format. Name, premiere date and other details are still to be announced.

PEOPLE

Ignacio Meyer was picked as **TelevisaUnivision's** new President of U.S. Networks, where he'll oversee growth and expansion. He'll report to CEO *Wade Davis*. Meyer—who'll be based out of Miami—most recently led the music and non-scripted entertainment division at TelevisaUnivision. He replaces *Luis Silberwasser*, who left in June to become Chairman/CEO of **Warner Bros. Discovery Sports**.